

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 07649 081927Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01
AGRE-00 ITC-01 /101 W
-----109814 090611Z /10

R 081857Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0748
ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

LIMITED OFFICIAL USE BRUSSELS 07649

USEEC

PASS AGRICULTURE ELECTRONICALLY
GENEVA ALSO FOR USMTN
PARIS ALSO FOR USOECD

E.O. 11652:N/A
TAGS: EAGR, EEC
SUBJ: EC CIGARETTE TAX HARMONIZATION

REFS: (A) EC BRUSSELS 6452, (B) EC BRUSSELS 311, (C) 76 EC
BRUSSELS 1533, (D) 76 EC BRUSSELS 2848

1. REF. A REPORTED DISCUSSION OF THE COMMISSION'S PROPOSAL
FOR THE SECOND STAGE IN THE HARMONIZATION OF CIGARETTE
EXCISE TAXES AT THE JUNE 20 MEETING OF THE COUNCIL OF FI-
NANCE MINISTERS. NO ACTION WAS TAKEN AT THIS MEETING AND THE
MATTER WAS REFERRED BACK TO COREPER. WE ASKED A COMMISSION
OFFICIAL IN DG XV (FINANCIAL INSTITUTIONS AND TAXATION)
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 07649 081927Z

ABOUT THE PROSPECTS FOR ADOPTION OF THE COMMISSION'S PRO-
POSAL. HE SAID THAT THERE APPEARED TO BE NO CHANCE THAT THE
COMMISSION PROPOSAL WOULD BE ACCEPTED AS IS. HE FELT THAT
THE COUNCIL WAS FAIRLY CLOSE TO AGREEMENT ON A SECOND STAGE,
BUT THAT THEY WOULD INTRODUCE A DEGREE OF HARMONIZATION
CONSIDERABLY MORE MODEST THAN THAT PROPOSED BY THE COMMIS-
SION. IT WILL BE RECALLED THAT THE COMMISSION'S PROPOSAL

(REF. C.) CALLED FOR ESTABLISHMENT OF A MINIMUM SPECIFIC COMPONENT OF 15 PERCENT AND A MAXIMUM SPECIFIC COMPONENT OF 50 PERCENT IN MEMBER STATE CIGARETTE TAXES, AS COMPARED WITH THE FIRST STAGE MINIMUM - MAXIMUM OF 5 AND 75 PERCENT. HE WOULD NOT HAZARD A GUESS AS TO WHAT SORT OF RANGE THE COUNCIL WOULD END UP WITH. HE SAID THAT THERE WAS GENERAL AGREEMENT THAT THE VALUE-ADDED TAX SHOULD BE INCLUDED IN THE CALCULATION OF THE TOTAL EXCISE TAX. (IT IS NOT SO INCLUDED IN THE FIRST STAGE.)

2. ASKED ABOUT THE TIMETABLE FOR ACTION ON THIS ISSUE, HE SAID THAT NOTHING WOULD BE DONE (AT THE COUNCIL LEVEL) BEFORE THE SUMMER VACATION. HE DID NOT EXPECT THE ISSUE TO COME BACK BEFORE THE MINISTERS UNTIL MID-SEPTEMBER OR OCTOBER.

3. HE SAID THAT THE ISSUE OF CIGARETTE TAX HARMONIZATION COULD BE FURTHER COMPLICATED BY UK CONCERNS OVER THE HEALTH ASPECT OF THE QUESTION. THE UK WANTS THE AUTHORITY TO BE GRANTED TO MEMBER STATES TO IMPOSE SUPPLEMENTARY TAXES ON "NOXIOUS" CIGARETTES", WHILE AWAITING THE ESTABLISHMENT OF EC RULES IN THIS AREA. SUCH AUTHORIZATION WOULD PERMIT EACH MEMBER STATE TO MODIFY THEIR TAX SYSTEM AS THEY SAW FIT, AND WOULD IN EFFECT UNDO THE HARMONIZATION ACHIEVED THROUGH CLOSER ALIGNMENT OF SPECIFIC - ADVALOREM TAX RATIOS. THE UK REQUEST IS OPPOSED BY ALL THE OTHER MEMBER STATES EXCEPT IRELAND. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 07649 081927Z

4. AS REPORTED REF B., AT THE END OF 1976 THE COMMISSION EXTENDED THE FIRST STAGE IN THE HARMONIZATION OF CIGARETTE EXCISE TAXES TO DECEMBER 31, 1977. AS EC RULES REQUIRE THAT AGREEMENT ON THE SECOND STAGE OF HARMONIZATION BE REACHED AT LEAST 6 MONTHS IN ADVANCE OF ITS IMPLEMENTATION, IT WILL BE IMPOSSIBLE FOR THE COMMUNITY TO PUT THE SECOND STAGE INTO EFFECT BY JANUARY 1, 1978. THUS, A FURTHER EXTENSION OF THE FIRST STAGE WILL BE NECESSARY. COMMISSION OFFICIALS TELL US, HOWEVER, THAT THEY WILL BE INCLINED TO RECOMMEND SUCH AN EXTENSION ONLY IF AGREEMENT ON THE SECOND STAGE IS REACHED BY THE COUNCIL. THE OFFICIALS SUGGESTED THEY WILL USE THE THREAT OF EXPIRATION OF THE FIRST STAGE OF THE AGREEMENT TO BRING PRESSURE ON THE COUNCIL TO REACH AGREEMENT. THEY SAY THAT IN THE ABSENCE OF AGREEMENT THE COUNCIL COULD NOT EXTEND THE FIRST STAGE UNLESS IT WAS ACTING ON A PROPOSAL BY THE COMMISSION.

5. THE DG XV OFFICIAL MENTIONED THAT IN PREVIOUS REPRESENTATION ON THIS ISSUE (REF. D), THE US HAD SAID THAT IT MIGHT REQUEST CONSULTATIONS. WHILE HE WAS NOT URGING SUCH CONSULTATIONS, HE FELT THAT IT WOULD BE BEST IF THE US BROUGHT

ANY ADDITIONAL COMMENTS OR INFORMATION ON THE PROPOSAL TO
THE COMMISSION'S ATTENTION AS SOON AS POSSIBLE. HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOBACCO, POLICIES, TAX COLLECTIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE07649
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770244-0514
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770779/aaaacqso.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:06 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:04 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 04e7146f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 6452, 77 EC BRUSSELS 311
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1926606
Secure: OPEN
Status: NATIVE
Subject: EC CIGARETTE TAX HARMONIZATION
TAGS: EAGR, EEC
To: STATE PARIS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/04e7146f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009